CLEVELAND PUBLIC LIBRARY
BUSINESS INFORMATION BUREAU
CORPORATION FILE

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R. J. Reynolds Tobacco Company

WINSTON-SALEM, N. C. January 15, 1942.

To the Stockholders of
R. J. REYNOLDS TOBACCO COMPANY:

The Financial Statement of your Company as at December 31, 1941, is submitted herewith.

Net earnings for the year 1941 amounted to $23,239,386.78, or $2.32 per share, compared with $25,548,424.39, or $2.55 per share for 1940, after provision for depreciation, taxes and all other charges on the basis consistently followed in former years. Federal and State taxes on income, including excess profits tax of $4,909,195.74, were $18,492,479.05, being $7,598,755.50 more than for the year before. Dividends amounting to $2.10 per share were paid in 1941.

The financial condition of the Company is presented in the accompanying statement on the same conservative basis as in former reports, and the Company's valuable brands, trade-marks and good will are carried, as formerly, in the Financial Statement at the nominal sum of $1.00. Net current assets at December 31, 1941, were $140,851,947.48, compared with $138,954,123.51 at the close of the year before. Undivided Profits shown under the Capital Account at December 31, 1941, were $52,471,210.99 as against $48,281,500.25 at the end of the prior year.

Added to the item of Undivided Profits at the end of 1941 was the amount of $1,950,323.96, as noted in the report, covering the net recovery on account of processing taxes paid in former years. Late in the year 1941 the Company effected settlement with the United States Treasury Department of its claim for refund of processing taxes borne under the Agricultural Adjustment Act. This settlement, as shown in the Financial Statement, resulted in an agreed refund of a principal sum of $2,100,000.00 plus interest thereon amounting to $868,099.18, making a total recovery of $2,968,099.18 in respect of that claim. In addition, the settlement included the abandonment by the Government of a related tax claim against the Company for the years 1935 and 1936 in the amount of $159,357.91 plus interest thereon.

The Company's volume of sales showed a splendid increase in 1941 over the year before. The increasing volume of the Company's products naturally requires enlarged inventories and this fact, together with the higher prices prevailing for leaf tobacco in recent months, is reflected in the item of inventories, which, valued at cost as in former years, is shown in the Financial Statement in the amount of $154,934,723.98, an increase of $15,658,258.25 for the year. The leaf tobacco in the inventories held and aged for several years preparatory to manufacture into the Company's products—CAMEL Cigarettes, PRINCE ALBERT Smoking Tobacco and many other important brands—is a well-balanced stock of tobacco of the choice and more expensive grades required for the Company's products.

Financial necessities of the United States Treasury in the present war emergency, reflected through increased taxes of various kinds, are, of course, affecting the Company's net earnings along with those of business generally throughout the country and are recognized as a continuing requirement during the war. As an illustration of the effect of increases in taxes on income in recent years as related to the Company, a comparison of Federal and State taxes on income affecting net earnings of the Company as shown in Annual Reports for the past four years will serve to indicate the extent to which these earnings have been subjected to the increased taxes. During these four years there has been a variation in volume of the Company's business in any year of only about 10% of the average for that period while the comparative cost to the Company of these taxes in the past four years has been as follows:

1938	$ 6,692,635.09
1939	7,569,916.88
1940	10,893,723.55
1941	18,492,479.05

The management of the Company shares with business of the country and citizens generally throughout the United States a recognition of the duty and privilege devolving upon all to devote their best efforts toward aiding in the prosecution of the Nation's unprecedented war undertaking to the end that a complete victory may be achieved as promptly as possible and a lasting and just peace secured.

Jas. A. Gray,
President.